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**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

DEPT. OF TRANSPORTATION
DOCKETS

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Joint Application of)

DELTA AIR LINES, INC.)

SOCIÉTÉ AIR FRANCE)

ALITALIA-LINEE AEREE ITALIANE-S.P.A.)

CZECH AIRLINES)

OST-01-10429 - 3/

Under 49 U.S.C. §§ 41308 and 41309)

for approval of and antitrust immunity)

for alliance agreements)

**CONSOLIDATED JOINT REPLY OF
DELTA AIR LINES, INC.,
SOCIÉTÉ AIR FRANCE,
ALITALIA-LINEE AEREE ITALIANE-S.P.A.,
AND CZECH AIRLINES**

October 10, 2001

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**CONSOLIDATED JOINT REPLY OF
DELTA AIR LINES, INC.,
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ALITALIA-LINEE AEREE ITALIANE-S.P.A.,
AND CZECH AIRLINES**

Delta Air Lines, Inc. ("Delta"), Société Air France ("Air France"), Alitalia-Linee Aeree Italiane-S.p.A. ("Alitalia"), and Czech Airlines ("CSA") (collectively, the "Joint Applicants") hereby submit this consolidated reply to the answers filed by American Airlines, Inc. ("American"), United Air Lines, Inc. ("United") and the Air Carrier Association of America ("ACAA").

1. No party has raised any substantive objection that would warrant delay in approval of the Joint Application. Indeed, American and United concur that the Joint Application is in the public interest because it would enhance competition, promote the development of more convenient network service options, provide lower fares and

other consumer benefits and advance important U.S. international aviation policy objectives.

2. While American and United do not object to the Joint Application, they suggest that a decision be put off until such time as the Department is in a position to contemporaneously approve the American/British Airways and United/bmi applications. There is no merit to this suggestion. All requirements for immediate approval of the Joint Application are in place. Italy and the Czech Republic are already covered by open skies agreements, and the United States and France are scheduled to meet next week to initial such an agreement.

3. By contrast, the Department's fundamental predicates of *de facto* and *de jure* open skies have not been met with respect to the proposed U.K. alliances. No formal negotiations have been set with the U.K. Indeed, the U.K. Government has yet to even confirm that it is willing to accede to an open skies bilateral agreement, to say nothing of how it will resolve the vexing Heathrow access problems -- which the Department determined *must* addressed as part of any open skies agreement with the U.K.¹ See, Order 99-7-22.

¹ There are no comparable access problems with respect to the hub airports of any of the Joint Applicants.

4. Furthermore, the proposed American/British Airways and United/bmi alliances raise new and troubling competitive issues by virtue of (a) the extent of the competitive overlaps in the case of AA/BA, (b) the Heathrow access problems which limit responsive competitive services at that critical hub, and (c) the inability of hubs in Continental Europe to effectively discipline the proposed Heathrow alliances. There are no similar airport access or competition issues raised by the Joint Application (or any other previously-approved alliance).

5. Accordingly, the time is ripe for a decision in this case, while the same is not true for the proposed U.K. alliances. The Department should reject the delay urged by American and United.² Such delay would be inconsistent with the public interest because it would unnecessarily postpone the effectiveness of a U.S.-France open skies agreement and would frustrate the implementation of new procompetitive alliance services.

6. ACCA submitted an answer relating to a variety of domestic competition issues including, *inter alia*, High Density Airport (HDR) slots, Computer Reservations Systems (CRS) rules, and other previously-voiced ACAA concerns. ACAA's answer is intended to promote ACAA's views on unrelated matters and does not rise to the level of substantive opposition. In response to a similar answer filed by Legend

² The Joint Applicants note that the United/bmi application, which was filed subsequent to the Joint Application, remains incomplete. The Department has not issued a scheduling order in that case.

Joint Reply

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Airlines in the American/Swissair/Sabena proceeding, the Department correctly determined that “the transaction at issue here does not significantly relate to [domestic competition]. We have established forums for dealing with the issues raised by Legend, and we do not believe that it would be in the public interest to delay approving a transaction that this record shows would provide substantial public benefits.” Order 2000-4-22. The Department’s findings in the American/Swissair/Sabena proceeding apply with equal force here. ACAA is inappropriately using this forum to raise issues that are the subject of extensive and ongoing consideration in other DOT and FAA dockets.

WHEREFORE, Delta, Air France, Alitalia and CSA urge the Department to issue a Show Cause Order approving the Joint Application by not later than November 7, 2001. This will promote the rapid entry into force of the U.S.-France open skies agreement and will enable consumers to enjoy the undisputed benefits of enhanced alliance competition as soon as possible.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Joint Response to Scheduling Notice, has been served this 10th day of October, 2001, upon each of the following persons in accordance with the Department's rules.

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